COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

INVESTIGATION BY THE DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY ON ITS OWN MOTION INTO DISTRIBUTED GENERATION	)	D.T.E. 02-38

INITIAL COMMENTS OF BOSTON GAS COMPANY, COLONIAL GAS COMPANY AND ESSEX GAS COMPANY EACH D/B/A KEYSPAN ENERGY DELIVERY NEW ENGLAND

Boston Gas Company, Colonial Gas Company and Essex Gas Company each d/b/a KeySpan Energy Delivery New England ("KeySpan") submit these comments in this investigation by the Department of Telecommunications and Energy ("Department") into distributed generation. As a gas distribution company, KeySpan supports the implementation of distributed generation for its overall benefits to energy service for consumers, and believes the active guidance of the Department would be beneficial.

The Department's policy on distributed generation should encourage and enable market participants to move toward cleaner technologies by providing them incentives to replace older, less efficient generation with newer, more efficient units. Likewise, the Department should encourage and enable the implementation of distributed generation because of the potential efficiencies it may bring to electric utilities' distribution systems, and the generation efficiencies it would allow. KeySpan supports the Department in implementing policy changes to encourage installation of distributed generation. Importantly, such policy changes need to be made in a timely fashion.

In its June 13, 2002 Order opening the investigation, the Department noted that distributed generation, as a resource option in the restructured electric industry, may face technical, economic and regulatory barriers deterring installation and sought comments on the following: 1) interconnection standards; 2) standby rates; and 3) distribution company involvement in distributed generation. KeySpan addresses these issues below.

I. Interconnection Standards

A. Uniform Technical and Procedural Standards

Specifically, the Department requested comments on whether the current distribution company interconnection standards and procedures in Massachusetts act as a barrier to the installation of distributed generation and whether the Department should establish standards.

KeySpan encourages the Department to establish statewide interconnection standards to maintain safety but minimize impediments to the implementation of distributed generation. At present, in Massachusetts, interconnection requirements for distributed generation by electric distribution companies are developed on a project-by-project basis. While this may be appropriate under certain narrow circumstances, lack of uniformity for interconnection is a barrier to the use of distributed generation as a cost-effective resource option. In addition to the administrative burden of a project-by-project approach, the absence of uniform technical interconnection standards and procedures may result in unintentional discrimination by a distribution company producing 1) different costs for the same or a similar interconnection(s); 2) different response times to a request for the same or a similar interconnection; and 3) different interconnection criteria for the same or a similar interconnection(s). Different interconnection criteria for the same or a similar interconnection(s) may also raise operational safety concerns

and the question of whether the interconnection is cost-effective for prospective distribution generators.

In attempting to remove existing barriers, the Department should consider uniform application procedures and "pre-certifying" certain types of interconnection equipment and distributed generating units. Uniform technical standards and a uniform process would also limit the potential for a distribution company to act in an intentionally discriminatory manner.

B. Adoption of IEEE's or Other States' Standards

KeySpan encourages the Department, as part of this investigation, to review and promulgate interconnection standards and procedures as other states have done. In considering what other states have done, the Department initially may want to promulgate uniform standards for smaller scale distributed generation. With respect to the efforts of IEEE, KeySpan suggests that the Department review what progress has been made and over what time frame IEEE is expected to finalize proposed standards. While streamlined and clear procedures for permitting and operating distributed generation are important to remove market uncertainties, timely adoption of standards is equally important to expediting the implementation of distributed generation.

II. Standby Rates

The Department requested comment on whether the electric distribution companies standby service tariffs act as barriers to the installation of distributed generation. Standby service tariffs generally are characterized by a demand charge and a separate energy charge. As such, a demand charge, especially one set at an inappropriate level, could be a barrier to installation of distributed generation. The Department must balance its rate structure objectives with the important goal of encouraging the installation of distributed generation. Keeping this in

mind, the Department should review the demand charge associated with standby rates to ensure that they are properly set and do not serve as barriers to the implementation of distributed generation.

The Department may want to give thought to whether it would be appropriate to require utilities to have different rates for distributed generators depending on the size of the distributed generation project. Any rates adopted by the Department should reflect the goal of removing unnecessary impediments to distributed generation.

III. Distribution Company Involvement in Distributed Generation

The Department requested comments on what factors electric distribution companies should consider in order to 1) identify areas where the installation of distribution generation would be a lower-cost alternative than system upgrades and additions; and 2) encourage the installation of cost-effective distributed generation in their service territories.

There are numerous factors to be considered including, but not limited to, long-term service reliability, avoided cost benefits, and cost sharing among the parties involved. In addition, as with the Department's initiation and development of DSM programs, education, marketing, and incentives should be considered to encourage installation of distributed generation. The Department should consider requiring electric utilities to analyze the option of distributed generation in lieu of traditional distribution upgrades.

KeySpan suggests that the Department consider encouraging the electric utilities to factor distributed generation into their planning. This planning could address, among other things, the following: 1) where distributed generation could ameliorate load pockets and distribution constraints; 2) the true costs that metering and other interconnection requirements impose on

electric distribution companies; 3) identification of the costs that distribution companies would avoid; and 4) the benefits to system reliability and efficiency.

KeySpan thanks the Department for the opportunity of addressing the use of distributed generation and encourages the Department's active role in this important matter.

Respectfully submitted,

Boston Gas Company,
Colonial Gas Company, and
Essex Gas Company
each doing business as
KeySpan Energy Delivery New England

By its attorney,

Thomas P. O'Neill, Senior Counsel
KeySpan Energy Delivery New England
One Beacon Street, 34th Floor
Boston, MA 02108
(617) 723-5512

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